

## FRANCHISE/PRIVATE LABEL AGREEMENT

This Agreement is made as of the 4th day of November, 1996, between R. J. REYNOLDS TOBACCO COMPANY, a New Jersey corporation, doing business as Forsyth Tobacco Products ("RJR") and HAS INVESTMENT GROUP, INC., a Connecticut corporation ("Customer" or "Krouszer's").

The parties agree as follows:

1. RJR shall sell to Customer and qualified wholesalers designated in writing by Customer and RJR ("Designated Wholesalers") cigarettes bearing the "JACKS" trademark or designation (the "Private Label Product"). A "qualified" wholesaler shall be a wholesaler which is a direct purchasing customer of R. J. Reynolds Tobacco Company.
2. The Private Label Product will be sold by RJR to Customer or Designated Wholesalers in cases containing 60 or 30 cartons per case (10 packs per carton, 20 cigarettes per pack) and in the following standard soft pack brand styles:

Full Flavor Filter 85's  
Full Flavor Filter 100's  
Light Filter 85's  
Light Filter 100's  
Ultra Light Filter 85's  
Ultra Light Filter 100's  
Light Filter Menthol 85's  
Light Filter Menthol 100's  
Non Filter 85's  
Full Flavor Menthol 85's  
Full Flavor Menthol 100's  
Full Flavor Box 83's  
Light Box 83's

Additional brand styles may be produced as mutually agreed by the parties.

3. The design, copy and coloring of pack and carton packaging for the Private Label Product have been developed by RJR and approved by Customer.

4. Customer will purchase from RJR or Designated Wholesalers such quantities of the Private Label Product as shall satisfy Customer's requirements for resale during the term of this Agreement. Every Customer retail outlet which carries cigarettes shall maintain an inventory of the Private Label Product. Customer will feature and promote the Private Label Product as its primary cigarette in the lowest price category and will provide it with preferred merchandising space and locations as compared with other products in the low price category. Customer also agrees as a Total Category Partner, that it will not disadvantage RJR in the ongoing display and promotion of its full priced and branded savings products as it relates to other cigarette manufacturers.
5. Except as agreed in Paragraphs 2 and 3, the blends, tar and nicotine levels, filters, tipping, wrapping paper and other materials, design and dimensions and all components and characteristics of the Private Label Product and its packaging will be as determined by RJR from time to time.
6. RJR may, in its sole discretion, sell the Private Label Product to other accounts, but it will not ship the Private Label Product to account locations in the state of Connecticut. Customer agrees to share the state of Connecticut with Sheetz, Inc. Customer will not ship the Private Label Product to locations outside the state referenced above. Customer agrees and acknowledges (a) that it does not have and will not acquire by virtue of this Agreement and activities contemplated by it, any rights to proprietary information, trade secrets, blends, processes, designs, specifications, or formulas, patents, the "JACKS" trademark or similar designation and copyrights associated with the Private Label Product and its packaging, and (b) that RJR has the right to sell to any person at any time cigarettes having blends and other components and characteristics similar or identical to those cigarettes used in the Private Label Product. After this agreement expires or is earlier terminated for any reason, Customer will not purchase, sell or distribute any cigarette bearing the "JACKS" designation or trademark or similar designation, except as may be required for Customer to deplete then existing inventories of the Private Label Product held by Customer and Designated Wholesalers.

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7. Customer will not (a) sell or distribute the Private Label Product to any person other than individual consumers, (b) sell or distribute the Private Label Product from any location other than its retail stores in the United States, or (c) purchase, sell or distribute any other cigarette or brand of cigarette which is to be manufactured exclusively for or sold or distributed exclusively to or through Customer or any subsidiary or affiliated company in Customer's area of operations.
8. Each Designated Wholesaler must agree in writing on a form satisfactory to RJR that it will not sell or otherwise distribute the Private Label Product to any person other than Customer. Notwithstanding any other provisions of this Agreement, RJR shall not be required to sell the Private Label Product to any Designated Wholesaler who does not agree and adhere to this condition. Customer shall provide to RJR a copy of each such Designated Wholesaler agreement prior to any sale to the wholesaler. Customer may at any time terminate any wholesaler's status as a Designated Wholesaler by notifying RJR in writing of such termination. After the close of business on the day of receipt of such notice, RJR will not accept any further orders from the terminated wholesaler for the Private Label Product, but RJR will accept and ship orders which were received prior to such time. Upon termination of any wholesaler's status as Designated Wholesaler, Customer shall, without limitation by any other provisions of this agreement, purchase such terminated wholesaler's entire inventory of the Private Label Product. Customer shall indemnify and hold RJR harmless from and against any and all liabilities, claims, causes of action, damages, suits and expenses which may arise out of Customer's termination of any wholesaler's status as a Designated Wholesaler.
9. This Agreement shall remain in force and effect for a primary term beginning on the date first written above and ending five (5) years from the first invoice date to Customer. Thereafter, this Agreement shall be automatically renewed on the same terms and conditions from year to year unless, at least one hundred twenty (120) days before the end of the primary or any additional one (1) year term, either party gives the other notice in writing that it will not renew this Agreement.

10. Price, rebates, allowances and other terms and conditions of sale will be determined by RJR from time to time. However, RJR will not increase prices if after any increase pricing will not be competitive with prevailing prices generally available to commercial customers in the U.S. market by other B/W, Private Label manufacturer with at least ten percent (10%) share of private label market.
11. If the Agreement is not automatically renewed for an additional one year term as provided in Paragraph 9, Customer grants to RJR the right to examine and match any competitive offer for the sale of private label cigarettes. If RJR elects to match the competitive offer, upon the expiration of this Agreement, Customer will enter into a new agreement with RJR for purchase of an RJR private label product under the terms and conditions of the competitive offer. The right of first refusal shall only apply to competitive offers received by Customer during the term of this Agreement and for a period of one hundred twenty (120) days after the expiration date of this Agreement or any renewals thereof.
12. When this Agreement expires or is terminated for any reason, Customer will, within a reasonable time, purchase such quantities of the Private Label Product from Designated Wholesalers as will cause the Private Label Product inventory of all Designated Wholesalers to be depleted.
13. Excepting only the fact that RJR is manufacturing the Private Label Product for Customer and selling it to Designated Wholesalers, neither party will disclose the provisions of this Agreement to third parties and shall take reasonable steps to maintain the confidentiality of its provisions.
14. This Agreement cannot be assigned and the performance of duties hereunder cannot be delegated, in whole or in part, without the prior written consent of both parties.
15. All notices and communications required or permitted by this Agreement shall be in writing, deemed effective when received, and sent to:

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If to Customer:      National Food Stores  
76 National Road  
Edison, New Jersey 08818  
Attn.: Harry Shah

If to RJR:            R. J. Reynolds Tobacco Company  
401 North Main Street  
Winston-Salem, North Carolina 27102  
Attn.: Jim Farmer

16. This Agreement contains the entire understanding of the parties and may not be changed except by agreement of both parties in writing. Failure of either party to enforce any of the provisions hereof shall not be construed as general relinquishment of that or any other provision. This Agreement shall be governed by the laws of the State of North Carolina.

**HAS INVESTMENT GROUP, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**R. J. REYNOLDS TOBACCO COMPANY,  
d/b/a Forsyth Tobacco Products**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

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Attn.: Harry Shah

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By: [Signature]  
Its: CEO

R. J. REYNOLDS TOBACCO COMPANY,  
d/b/a Forsyth Tobacco Products

By: [Signature]  
Its: AM